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Natural Gas Weekly Update

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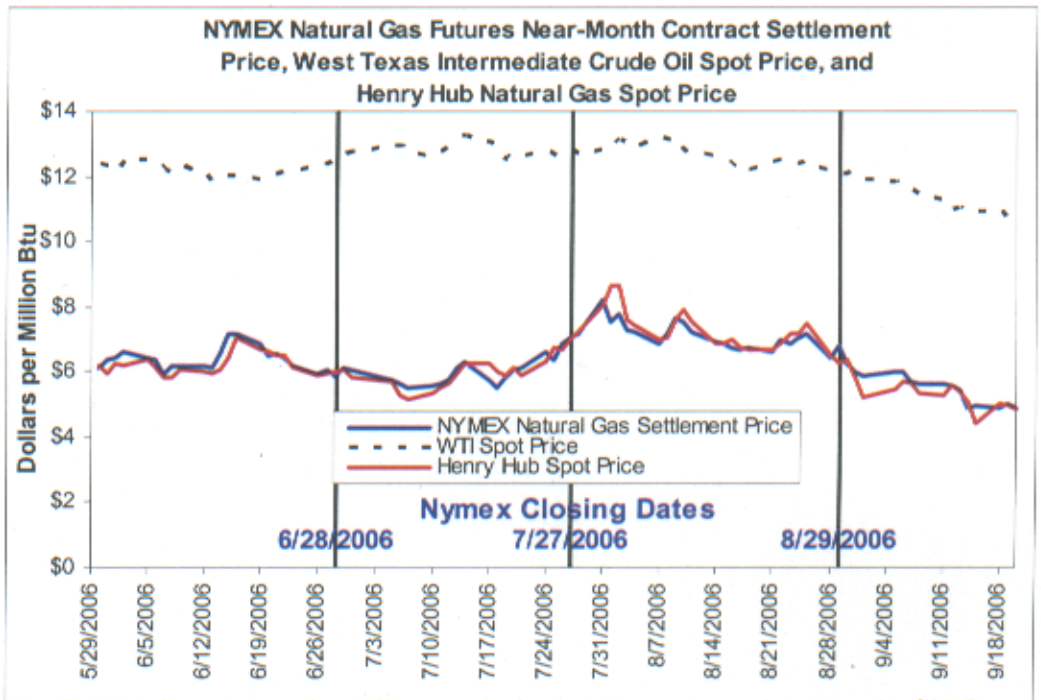
Overview: Thursday, September 21 (next release 2:00 p.m. on September 28, 2

Except for some Rocky Mountain markets, natural gas spot prices decreased signi the Lower 48 States since Wednesday, September 13, reaching the lowest levels years at most market locations. The spot price at the Henry Hub dropped 54 cents 10 percent this week (Wednesday to Wednesday, September 13 to 20) to $4.87 per Similarly, the price of the New York Mercantile Exchange (NYMEX) futures cc October delivery settled at $4.931 per MMBtu yesterday (September 20), which is or about 10 percent, less than last Wednesday's price. As of Friday, September natural gas in storage was 3,177 Bcf or 12.5 percent above the 5-year average. The for West Texas Intermediate (WTI) crude oil declined $4.09 per barrel this week per barrel or $10.34 per MMBtu yesterday.



Note: The West Texas Intermediate (WTI) crude oil price, in dollars per barrel, is converted to $/MMBtu using a conversion factor of 5.80 MMBtu per barrel. The dates marked by vertical lines are the NYMEX near-month contract settlement dates.

Source: Natural gas prices, *NGI's Daily Gas Price Index* (http://Intelligencepress.com); WTI price, Reuters News Service (http://www.reuters.com).

Prices:

A variety of market influences, including falling crude oil prices, ample natural g inventories, and moderate weather, placed significant downward pressure on natur prices this week. Spot market activity since Wednesday, September 13, include drop in prices last Friday following the announcement of a larger-than-averag injection for the previous week. Although prices rebounded on Monday, decreas

week ranged between 41 cents and 70 cents per MMBtu at all market locations outs Rocky Mountains. The Henry Hub spot price fell to $4.40 per MMBtu on Friday, the lowest price since September 3, 2004, before settling at $4.87 per MMBtu y Elsewhere in Louisiana, prices dropped 56 cents on average with an average price per MMBtu yesterday. The Midcontinent and locations west of the Rockies saw p below $4 per MMBtu during the week reflecting potential pipeline imbalances inventory Operational Flow Orders (see Transportation Update below). Spot price regions were $4.39 (Midcontinent), $4.70 (California), and $4.82 (Arizona/Ne MMBtu yesterday. In the Rockies, completion of a scheduled pipeline hydro-t significant transportation constraints in this region and prices responded to the unrestricted natural gas flows. The spot price at Northwest South of Green River 98 cents per MMBtu, or 32 percent, on the week and the spot price at the Colorado Gas market location increased 84 cents, or 26 percent. The spot price at both locations was $4.01 per MMBtu yesterday. On average, natural gas spot prices at a locations are about $6 per MMBtu less than at this time last year, and about 60 MMBtu less than this time 2 years ago.

Spot Prices ($ per MMBtu)	Thur. 14-Sep	Fri. 15-Sep	Mon. 18-Sep	Tue. 19-Sep	Wed. 20-Sep
Henry Hub	5.08	4.40	5.03	4.98	4.87
New York	5.34	4.66	5.38	5.37	5.16
Chicago	5.03	4.28	5.09	5.04	4.80
Cal. Comp. Avg,*	5.03	3.99	4.92	4.77	4.75
Futures ($/MMBtu)					
Oct delivery	4.892	4.982	4.942	5.006	4.931
Nov delivery	6.467	6.364	6.256	6.203	6.022

*Avg. of NGI's reported avg. prices for: Malin, PG&E citygate, and Southern California Border Avg.

Source: NGI's Daily Gas Price Index (http://intelligencepress.com).

At the NYMEX, the price of the futures contract for October delivery at the H decreased 52 cents, or about 10 percent, to $4.931 per MMBtu since last W September 13. The settlement price on Friday for the October contract was $ MMBtu, which is the lowest price for this contract since March 29, 2004, and t price for any near-month contract since September 16, 2004. The contracts for the heating season (November 2006 through March 2007) fell more dramatically with averaging $1.15 per MMBtu on the week. The average settlement price for these was $7.64 per MMBtu yesterday. Despite these significant drops this week, this pr $2.77 per MMBtu more than yesterday's Henry Hub spot price, which will offer c economic incentive to inject natural gas into storage. Beyond March 2007, the cor the next year decreased but at more modest increments ranging between 22 cen cents per MMBtu. The 12-month futures strip (October 2006 – September 200 yesterday at $7.32 per MMBtu, which is $4.50 less than the equivalent 12-m (October 2005 – September 2006) at this time last year.

Recent Natural Gas Market Data

Estimated Average Wellhead Prices

	Mar-06	Apr-06	May-06	June-06	July-06	Aug-06
Price ($ per Mcf)	6.52	6.59	6.19	5.80	5.82	6.51
Price ($ per MMBtu)	6.35	6.42	6.03	5.65	5.67	6.34

Note: Prices were converted from $ per Mcf to $ per MMBtu using an average heat content of 1,027 Btu per cubic foot as published in Table A4 of the Annual Energy Review 2002.
Source: Energy Information Administration, Office of Oil and Gas.

Storage:
Working gas in storage increased to 3,177 Bcf as of Friday, September 15, according to the EIA *Weekly Natural Gas Storage Report* (See Storage Figure). Storage inventories are currently 12.5 percent above the 5-year average and 12.6 percent above last year's storage level at this time. The implied net injection of 93 Bcf is 12.6 percent more than the 5-year average injection of 83 Bcf and about 22 percent more than last year's injection of 76 Bcf. With almost 6 weeks left before the heating season starts, storage inventory levels are only 150 Bcf less than the highest level they have reached since January 1993 when weekly storage data collection began. This record level occurred in November 2004 when working gas in storage was 3,327 Bcf. The larger-than-normal injection this week partly reflects moderate temperatures across the United States, which kept demand for heating and cooling needs low. For the week ending September 14, 2006, temperatures were slightly cooler-than-normal with only 15 heating degree days and 38 cooling degree days for the country as a whole according to the National Weather Service. (See Temperature Maps)

All Volumes in Bcf	Current Stocks 9/15/06	One-Week Prior Stocks 9/08/06	Implied Net Change from Last Week	Estimated Prior 5-Year (2001-2005) Average	Percent Difference from 5 Year Average
East Region	1,835	1,781	54	1,647	11.4%
West Region	427	417	10	376	13.6%
Producing Region	915	886	29	802	14.1%
Total Lower 48	3,177	3,084	93	2,825	12.5%

Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database.
Row and column sums may not equal totals due to independent rounding.

Other Market Trends:
EIA Releases Report on Storage Capacity Estimates: The Energy Information Administration's (EIA) newly-released report, the *Estimates of Maximum Underground Working Gas Storage Capacity in the United States*, examines the aggregate maximum capacity for U.S. natural gas storage. There are three types of underground facilities used for natural gas storage: depleted reservoirs in oil and/or natural gas fields; aquifers; and salt cavern formations. In the Lower 48 States, about 123 entities currently operate about 400 active underground storage facilities. Although the concept of maximum working gas storage capacity seems rather straightforward, certain aspects of capacity measurement and industry operations preclude the determination of a single, definitive estimate for maximum capacity. Even though the fields generally contain peak storage volumes on October 31, some portion of capacity may not be fully utilized when the industry reaches its collective maximum. Underutilization of working gas storage capacity can be partially explained by a number of factors that are enumerated in the report. The report examines three alternative approaches to estimate the volume of natural gas that can be stored in U.S. underground storage facilities. A conservative estimate of maximum capacity is about 3,600 billion cubic feet, which is approximately equal to the sum of non-coincident peak volumes over all facilities during the

years 2000-2004. The report suggests that estimates of maximum storage capacity should be considered along with the limitations of the estimation approach.

Natural Gas Transportation Update:
Lack of significant demand and high levels of working gas in storage caused several pipelines in the West to issue warnings reacting to potential imbalances. Southern California Gas Co. declared a high-linepack operational flow order (OFO) Friday, September 15, which was in effect until Monday, September 18. The company announced that customers who deliver more than 110 percent of their scheduled gas usage would be assessed buy-back charges in accordance with their tariffs. Additionally, Pacific Gas and Electric Co. declared a systemwide Stage 2 high-inventory OFO Saturday, September 16, and added that penalties of $1 per decatherm (Dth) would be assessed to shippers exceeding 5 percent tolerance for negative daily imbalances. The systemwide OFO was in effect until Monday, September 18. El Paso Natural Gas Co. declared a systemwide strained operating condition (SOC) Sunday, September 17, which was effective until Tuesday, September 19. The pipeline set a 10 percent tolerance for positive daily imbalances owing to work being done on the Washington Ranch storage facility. El Paso suspended the maintenance on September 18 in order to allow injections into the storage facility, and stated that the SOC could be completely lifted as of September 19 since the storage injections combined with the actions taken by shippers had contributed to a stabilization of the linepack.

Short-Term Energy Outlook

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